

UNCLASSIFIED

93

INT 594/1

February 25, 1946

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The Secretary:

1. I transmit herewith my report and recommendations with respect to Staff Committee Document No. SC-185, entitled "The Permanent Location and Organization of the Office of Research and Intelligence.

2. According to your directive of January 5, 1946, the issue involved is to be finally determined by you on or before March 1, 1946.

Donald Russell

UNCLASSIFIED

457

UNCLASSIFIED

INT 594/2

I N D E X

	<u>Page</u>
I <u>INTRODUCTORY</u>	1
II <u>PRIOR HISTORY OF CONTROVERSY</u>	1
1. Origin	1
2. Problems Created by the President's Directive	2
III <u>BASIC ELEMENTS OF THE PROBLEM</u>	3
1. The Presidential Objectives	4
2. The Function of Foreign Intelligence	4
3. Departmental Intelligence Requirements	5
IV <u>ANALYSIS OF ARGUMENT IN SUPPORT OF CENTRALIZED INTELLIGENCE ORGANI- ZATION</u>	6
1. The October 1st Directive (Doc. SC-185 - pp-1-3)	6
2. The Argument for "Independent" Research (SC-185 - pp 4-5)	6
3. The Intelligence Qualifications of the Geographic Offices (SC-185 - pp 6-8 par 8-15)	7
4. Disruption of the ORI Staff (SC-185 - pp 8-10 par 16-23)	8
V <u>CONCLUSION</u>	10
VI <u>RECOMMENDATIONS</u>	10

UNCLASSIFIED

458

UNCLASSIFIED

INT 594/3

Page 1

I

INTRODUCTORY

On 12 February 1946 the Special Assistant for Research and Intelligence submitted to the Secretary's Staff Committee Document SC-185 entitled "PERMANENT LOCATION AND ORGANIZATION OF THE OFFICE OF RESEARCH AND INTELLIGENCE" (ORI). By direction of the Secretary, this document was referred to the Assistant Secretary for Administration for consideration and clearance, in accordance with Departmental Order No. 1356 (Tab A).

This paper involves an issue on which there is an irreconcilable difference of opinion in the department. The issue is whether, as the Special Assistant contends, the intelligence activities of the Department shall be centralized - that is, organized outside of, and not accountable to, the policy offices of the Department, or whether, as held by Assistant Secretaries Dunn and Braden, such activities, to the extent necessary, shall be integrated with, and made responsible to, the Offices of the Department charged with policy development and formulation.

II

PRIOR HISTORY OF CONTROVERSY

1. Origin

On 20 September 1945 the President approved the Bureau of the Budget's plan for the organization of the overt and secret foreign intelligence activities of the Government. This plan called for the Department of State to assume the initiative in launching the program through a system of interdepartmental committees composed of representatives of agencies concerned with intelligence. As a first step towards implementation of the plan, the President, on 20 September, signed Executive Order 9621 transferring

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\* "Intelligence and Security Activities  
of the Government"  
Bureau of the Budget  
September 20, 1945

479

UNCLASSIFIED

UNCLASSIFIED

INT 594/4

Page 2

to the Department of State as of 1 October 1945 the functions, personnel and resources of the Research and Analysis Branch of the Office of Strategic Services. Concurrently, the President issued a directive to the Secretary of State, dated 20 September (Tab B), wherein he said, in part:

"The above transfer to the State Department will provide you with resources which we have agreed you will need to aid in the development of our foreign policy, and will assure that pertinent experience accumulated during the war will be preserved and used in meeting the problems of peace. Those readjustments and reductions which are required in order to gear the transferred activities and resources into State Department operations should be made as soon as practicable.

"I particularly desire that you take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an interdepartmental group, heading up under the State Department, which would formulate plans for my approval. \*\*\*\*"

2. Problems Created by the President's Directive

The President's directive confronted the State Department with two serious problems.

- (a) How to absorb the resources transferred from OSS within the framework of the Department's organizational structure.
- (b) How to launch a complex program for the organization and coordination of National overt and secret foreign intelligence activity on an interdepartmental committee basis without the support of the War and Navy Departments and the Joint Chiefs of Staff.

UNCLASSIFIED

UNCLASSIFIED

INT 594/

Page 3

The Department was relieved of the second problem when it became obvious that the plan to organize a National foreign intelligence program through the interdepartmental committee mechanism was impracticable. Accordingly, this mission was assigned to the National Intelligence Authority, established by the President's directive of 22 January 1946.

With respect to the first problem, the transfer of functions and personnel of the Research and Analysis Branch of OSS to the State Department developed into a bitter and irreconcilable difference of opinion as to the scope of the intelligence function and its proper functional relationship to the work of the Department as a whole.

This issue was presented to and extensively argued before A-R on 28 December 1945. On 29 December A-R submitted to the Secretary his recommendations with respect to the determination of the controversy. Because of the Secretary's imminent departure for London he withheld final decision and stated in his directive to A-R of 5 January 1946:

\* \* \* The proposal of the Special Assistant for Research and Intelligence involves fundamental changes in the organization of the Department \* \* \*.

"I wish the organization proposed by the Special Assistant to be adopted temporarily upon the express understanding that a final decision on the ultimate location of the Office of Research and Intelligence will be made on or before March 1st."

### III

#### BASIC ELEMENTS OF THE PROBLEM

In approaching the organizational problem presented by SC-185, some basic considerations should be borne in mind. These are three: (1) the President's objectives; (2) the character of the intelligence function; (3) the nature of the Department's intelligence requirements.

UNCLASSIFIED

411

UNCLASSIFIED

INT 594/6

Page 4

1. The Presidential Objectives

The President's purpose in transferring OSS research resources to the Department was: " \* \* \* to aid in the development of our foreign policy. \* \* \* " The directive did not envisage, much less require, that the personnel and functions transferred from OSS would be grafted on the Department without due regard to its organizational structure. Indeed, the President's letter contemplates a careful meshing, to wit:

"Those readjustments and reductions which are required to gear the transferred activities and resources into State Department operations should be made as soon as practicable."  
(Emphasis supplied)

2. The Function of Foreign Intelligence

Foreign intelligence is defined in the ORI charter as "evaluated, positive information on foreign countries as an aid to the formulation and implementation of foreign policy." Since the State Department is the principal foreign intelligence agency of the Government, the transfer of the OSS functions does not present the problem of how a new function is to be conducted. The question is the manner in which the personnel and facilities transferred are to be assimilated in a going concern so as to augment its total resources without disrupting its organization and throwing its operations into confusion. In this respect, the Bureau of the Budget report, on which the President's directive of 20 September was based, lays down this controlling principle as to the situs of intelligence activities, at p. 9:

"The intelligence operation is handmaiden to the action-taking and policy-determining groups. It must be sensitive to their needs. It must have handy the mass of original documents and material on which its studies are based. While it may secure

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\* (Annex 1, Dec. 185; 133.20-II)

UNCLASSIFIED

46

UNCLASSIFIED

Page 5

INT 594/2

much assistance from others outside, it must be responsible to the place of decision. A department which will be held responsible for its decisions and actions must, in turn, be able to hold accountable to it the operation which produces intelligence on which those decisions and actions will, in part, be based. (Emphasis supplied)

The State Department is organized along geographic and functional lines. The geographic and economic desks are "the action-taking and policy-determining groups" in the great flow of Departmental decisions made daily. In matters of high import, they are responsible for recommendations with respect to policy or action on which the Secretary's decisions are based.

### 3. Departmental Intelligence Requirements

For the purposes of this controversy, it is conceded that some strengthening of the intelligence resources of the geographic offices is necessary. However, the real problem is to coordinate and correlate the vast volume of existing intelligence research. Some form of a central organization is required to coordinate the research work of all the Offices on a departmental basis, to fix Departmental intelligence objectives and establish uniform standards of research. Such a central intelligence organization should also undertake:

- (a) Subject to appropriate instructions and policy controls, the representation of all interested elements of the Department on the technical staff of the National Intelligence Authority.
- (b) In cooperation with the geographic and economic offices, the preparation of special intelligence estimates for the Secretary and the Under Secretary and other top-level officials of the Department and for the National Intelligence Authority.
- (c) Responsibility for the collection and dissemination of positive intelligence produced in the Department.

UNCLASSIFIED

UNCLASSIFIED

INT 594/8

Page 6

IV

ANALYSIS OF ARGUMENT IN SUPPORT OF CENTRALIZED  
INTELLIGENCE ORGANIZATION

The argument presented in SC-185 in support of the proposal for making permanent the tentative organization of OMI breaks down into four main elements.

1. The October 1st Directive  
(Dec. SC-185 - pp 1-3)

The point is made that the centralized intelligence organization now proposed is called for by the October 1st directive (Tab C). In calling for a centralization of all intelligence activities of the Department, it disregarded the principle of intelligence decentralization which was a prime tenet of the Bureau of the Budget's intelligence organization plan on which the President's instructions to the Secretary were based. Its proposal for the consolidation of the Department's "positive" and "security" intelligence activities was inconsistent with the elementary principles of intelligence organization and is neither practicable nor desirable. In any event, as the Secretary has ruled, any administrative directive is subject to review with respect to its organizational soundness and feasibility as provided for by Departmental Order 1356 (Tab A).

2. The Argument for "Independent" Research  
(SC-185 - pp 4-5)

"The first argument for separating the intelligence function completely from operating and policy functions is one of principle. Intelligence research is fact-finding. It requires independence and integrity of judgment, perspective and objectivity -- qualities that thrive only in the most favorable environment."

UNCLASSIFIED

464



UNCLASSIFIED

INT 574/9

Page 7

In support of this statement of the independence doctrine, Walter Lippmann's Public Opinion (1921), now republished as a PELICAN BOOK, is cited. Safeguards thrown about the fact-finding processes of petit juries, courts of equity and administrative tribunals are invoked as applicable analogies.

No one questions that research intelligence, to be useful, should be unbiased, objective, and even shock-full of perspective. But, if, as asserted, such qualities are able "to thrive only in the most favorable environment," intelligence is not likely to flourish in the savage climate of atomic age diplomacy. Centralization of researchers in an independent organization divorced from the impact of operations and policy is no guarantee of perspective and objectivity. Indeed, it may even produce a theoretical or doctrinaire form of bias. The cited analogies with respect to the complete divorcement from policy (law) of the fact-finding processes of juries, administrative tribunals and equity judges are misdirected. A jury finds facts on instructions by the trial judge and often in the light of his comments on the evidence. A court of equity renders findings of fact and conclusions of law. The same is true of most administrative tribunals. In no case is there an insulation of the fact-finding process from the impact of policy or principles.

3. The Intelligence Qualifications of the  
Geographic Offices (SC-185 - pp 6-8  
par 4-15)

This argument is in the nature of ad hominem. It boils down to two propositions:

- (a) "The geographic offices are not qualified by training or experience to supervise research work."
- (b) "Even assuming that research could be supervised adequately in the geographic offices and that it would produce intelligence unaffected by the policy commitments of those offices, decentralization would still impair the effectiveness of the present organization and be wasteful and inefficient."

UNCLASSIFIED

465

UNCLASSIFIED

INT 594/10

Page 8

This contention, aside from its lack of good taste, appears to misconceive the true function of intelligence and evidences an unfamiliarity with the operation of the State Department. The Secretary is responsible for our foreign policy. That policy is determined by him on the basis of information originating with our missions abroad, which is screened, correlated and evaluated by the existing geographic offices.

The proposed charter of ORI states that it will provide "evaluated, positive information on foreign countries as an aid to the formulation of foreign policy in the Department." (See Annex I, of SC-185, 133.20-11). If this charter is made permanent, we shall have ORI attempting to operate in the same field as the regular long-established Geographic Offices. At the best, the result will be wasteful duplication of effort. More likely, it will create conditions of administrative bedlam. If the Geographic Offices, as claimed, are not doing the intelligence job they are supposed to do, or, if their product is biased, the solution is to replace their personnel. The corrective does not lie in the establishment of a competitive organization divorced from and not accountable to the offices responsible for the formulation and development of recommendations on foreign policy.

4. Disruption of the ORI Staff  
(SC-185 - pp 8-10 par 16-25)

It is argued that the integration of the research units of ORI with the research staffs of the Geographic Offices of the Department will wreck a going concern with five years of "know-how" in the intelligence field. This overlooks the fact that there is a vast difference between the limited purpose research objectives of OSS and the policy intelligence requirements of the Department of State. Even if equal competence be assumed, an independent centralized research group as contemplated by ORI would inevitably duplicate the work of the Geographic Offices.

During the war, duplicating organizations-- particularly in the intelligence field -- were justified for reasons (sometimes valid, often not) of expediency or by reason of emergency considerations.

UNCLASSIFIED

460

UNCLASSIFIED

INT 594/1

Page 9

With the cessation of the war, a continuance of this practice is intolerable. On this point, the Bureau of the Budget, in its reports to the President, stated at p.13:

"We cannot, however, continue a complete structure superimposed on top of the normal structure of Government beyond the period when our war needs demand it. The problem is how to capture that which is good and to integrate it into the normal framework of the Government. Had our intelligence base been strong when war came upon us, COI ~~COSE~~ would not have had to build independent facilities. However, to continue such facilities in the future will tend to perpetuate the very weaknesses that must be corrected." (Emphasis supplied)

The limited and special functions of a central research staff are indicated as follows at p. 13:

"\* \* \* Such independent central staff as may be required, however, can be small, since it could rely very largely on the product of research and analysis in the departments and will not engage in large scale original research and analysis itself. Its responsibilities would be to secure and harmonize intelligence, to reconcile conflicting intelligence, and as envisioned in the JIC paper already quoted to 'mobilize the resources of all agencies in the fulfillment of an urgent intelligence requirement.'" (Emphasis supplied)

What applies to a central research staff such as that of the National Intelligence Authority is equally applicable to the Department of State.

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\* Intelligence and Security Activities of the Government  
September 20, 1945

UNCLASSIFIED

40

UNCLASSIFIED

INT. 594 / 12

Page 10

V

CONCLUSION

In view of the foregoing, it is clear that the research intelligence activities of the Department (other than the functions enumerated at p. 5, supra) must be organized as a part of, and must be responsible to, the offices where departmental policy is formulated or action taken. (See Function of Foreign Intelligence, pp 4-5, supra)

The organization of the Office of Research and Intelligence as presently constituted is in conflict with this elementary principle of departmental organization. In the best interests of the Department, ORI should be reorganized, its functions redefined, and the intelligence operations of the Department should be established in accordance with the recommendations submitted below.

VI

RECOMMENDATIONS

It is recommended that:

1. The functions of the geographic intelligence divisions of the Office of Research and Intelligence (ORI) be transferred to the geographic offices of the Department and that ORI be renamed as the Office of Intelligence Coordination and Liaison.

2. Subject to appropriate policy control by, and the instructions of, the Standing Committee on Intelligence hereafter proposed, the Office of Intelligence Coordination and Liaison, in collaboration with the Office of Intelligence Collection and Dissemination, should perform the following functions:

- (a) Represent all interested elements of the Department on the staff of the National Intelligence Authority.
- (b) In cooperation with the geographic and economic offices, prepare special intelligence estimates for the Secretary and the Under Secretary, the Assistant Secretaries, and for the National Intelligence Authority.

UNCLASSIFIED

UNCLASSIFIED

INT 594/1

Page 11

- (c) To establish and maintain standards of research and analysis throughout the Department.
- (d) To formulate, in consultation with geographic and economic offices, a Departmental program for basic research, and to coordinate and stimulate its execution.
- (e) To organize and supervise cooperative projects in research cutting across the lines of the geographic and economic offices.
- (f) To maintain a central clearing house of information regarding research studies prepared or planned anywhere in the Department.
- (g) To maintain liaison with other agencies of the Government, and with private institutions, for the purpose of utilizing all possible research resources to meet the Department's needs.
- (h) To conduct specialized research on economic or other technical subjects.

5. The Secretary should appoint a Standing Committee on Intelligence consisting of the two Assistant Secretaries for Political Affairs, the Assistant Secretary for Administration and the Special Assistant for Research and Intelligence to:

- (a) Supervise the establishment and coordination of Departmental intelligence objectives and policies.
- (b) Subject to the direction and control of the Secretary, to formulate and supervise the implementation of Departmental policy with respect to the National Intelligence Authority.
- (c) To approve participation by the Department in any centralized operations or projects which the Director of the Authority may propose.

469

UNCLASSIFIED

UNCLASSIFIED

INT 594/1

Page 12

4. The transfer of functions, personnel and facilities envisaged in recommendation (1) above should be executed in such manner as to leave the Special Assistant with adequate resources to carry out his mission as redefined in recommendation (2).

5. The phasing of the transfer and the disposition of the personnel, functions and resources of ORI should be left to the determination of the Assistant Secretary for Administration, with due regard to the recommendations submitted by the Special Assistant for Research and Intelligence.

6. Each geographic office shall organize and maintain a Division of Research, set up with geographic sections corresponding to the other divisions of the office. The establishment of such offices and the timing thereof shall be under the supervision and direction of the Assistant Secretary for Administration.

\*\*\*

UNCLASSIFIED

476

UNCLASSIFIED

157 594/

DEPARTMENTAL  
ORDER  
1856

DEPARTMENT OF STATE

Issued:  
11-7-45  
Effective  
11-5-45

CLEARANCE OF ORGANIZATION PROPOSALS

Purpose. The purpose of this Order is to establish the procedure for consideration and clearance by the Assistant Secretary for Administration of all proposed changes in, or additions to, the organization of the Department and the Foreign Service.

1. Scope, Any and all proposals with respect to
  - (a) The realignment of existing divisions and Offices of the Department and the Foreign Service; or
  - (b) Changes in the functions of such Offices or divisions as presently constituted; or
  - (c) The establishment of new Offices or Divisions.

shall be cleared with the Assistant Secretary for Administration before presentation to the Secretary for approval.

2. Time for consideration. It is essential that the Assistant Secretary for Administration be accorded adequate time for considered evaluation of all such proposals and their administrative and budgetary implications. Accordingly, all such proposals of major organization or budgetary significance shall be submitted to him on ten days' notice; at least five days' notice will be required with respect to proposals of lesser import.

3. Authority to waive. The Assistant Secretary for Administration may waive or modify the foregoing requirements of notice whenever, in his sound discretion, such action appears warranted by reason of special circumstances.

JAMES F. BYRNES

November 5, 1945

UNCLASSIFIED

(12)

UNCLASSIFIED

#72  
INT 594/1

THE WHITE HOUSE

WASHINGTON

September 20, 1945

My dear Mr. Secretary:

I have today signed an Executive order which provides for the transfer to the State Department of the functions, personnel and other resources of the Research and Analysis Branch and the Presentation Branch of the Office of Strategic Services. The order also transfers the remaining activities of the Office of Strategic Services to the War Department and abolishes that Office. These changes become effective October 1, 1945.

The above transfer to the State Department will provide you with resources which we have agreed you will need to aid in the development of our foreign policy, and will assure that pertinent experience accumulated during the war will be preserved and used in meeting the problems of the peace. Those readjustments and reductions which are required in order to gear the transferred activities and resources into State Department operations should be made as soon as practicable.

I particularly desire that you take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an interdepartmental group, heading up under the State Department, which would formulate plans for my approval. This procedure will permit the planning of complete coverage of the foreign intelligence field and the assigning and controlling of operations in such manner that the needs of both the individual agencies and the Government as a whole will be met with maximum effectiveness.

Sincerely yours,

HARRY TRUMAN

The Honorable  
The Secretary of State.

UNCLASSIFIED

472



UNCLASSIFIED

INT 544/1

October 1, 1945

MEMORANDUM FOR COLONEL MCCORMACK

At a time when we were communicating with the Secretary of State in London regarding the establishment of an intelligence agency within the State Department, I sent him a message from which the following is an excerpt:

"The Special Assistant and his organization would be responsible for the collection, evaluation and dissemination of all information regarding foreign nations. These functions are now spread throughout the Department. To unite them in one organization, which would become the Department's encyclopedia, would free the operating offices of the intelligence function and thus relieve them of a very considerable burden. Intelligence would furnish the data upon which the operating offices would determine our policy and our actions. Sources of information would be our own field installations and those of other departments as well as all Washington agencies and other domestic sources.

"Under the Special Assistant there would be two offices, one for counter-intelligence and one for intelligence. The former would be constituted by shifting to it those divisions now engaged in counterintelligence work but scattered throughout other offices of the Department. There is a pressing need for the consolidation of these divisions, along with their personnel, files, and equipment for proper exercise of the counter-intelligence function.\* \* \*

UNCLASSIFIED

402

UNCLASSIFIED

INT 594/

-2-

"\* \* \* The Bureau of the Budget is preparing a draft of an executive order which would transfer to the State Department two OSS units, the Research and Analysis Branch and the Presentation Branch, with their functions, personnel, property, records and funds. I propose that you authorize me to concur in this executive order. If it is signed, we should immediately place the two branches in an interim office, under our Special Assistant for Research and Intelligence. Before the first of the year we should absorb into our permanent intelligence structure such functions, personnel, property, and records of the two branches as we desire to retain. The remainder would pass out of existence at that time."

Since the Secretary concurred in these general principles, and since the President has signed the Executive Order, the excerpts which I have quoted can well serve as the general basis of a directive for you as Special Assistant to the Secretary for Research and Intelligence.

It is desired that you take the following steps towards the creation of your intelligence unit:

1. Participate in such future discussions as may take place regarding the disposition of those parts of OSS as are not specifically disposed of in the Executive Order, but which may be disposed of administratively. You will represent the Department of State in these discussions, at which I understand representatives of the War Department and OSS will also be present.
2. Establish a board consisting of Mr. Lyon, and such other representatives of the Department of State and OSS as you consider appropriate, for the purpose of surveying those parts of OSS which have been, or will be, transferred to the Department of State for the purpose of advising you which parts of OSS we wish to retain beyond January 1 and which parts we wish to dissolve at that time.

UNCLASSIFIED

UNCLASSIFIED

INT 594/19

-5-

3. Have the board conduct simultaneously a survey of those organizations within the present structure of the Department of State which are presently engaging in intelligence activities, for the purpose of advising you which of these organizations should be transferred to your own intelligence agency between now and January 1.

4. Consolidate the units within OSS which we wish to retain and the units of the Department of State now participating in intelligence activities so that, by January 1, all intelligence activities within the Department will be under your own control.

I attach hereto a copy of a memorandum signed by the President on September 20, 1945. It directs the Secretary of State to "take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an inter-departmental group, heading up under the State Department, which would formulate plans for my approval. This procedure will permit the planning of complete coverage of the foreign intelligence field and the assigning and controlling of operations in such manner that the needs of both the individual agencies and the Government as a whole will be met with maximum effectiveness."

I understand that this memorandum was signed by the President before he received a memorandum, also attached, which was drafted by the Joint Chiefs of Staff. The JCS memorandum differs in some respects from the President's memorandum to the Secretary of State. In addition, it is a more detailed document.

The steps which I have directed in this memorandum will have the effect of uniting and consolidating the intelligence activities of this Department. As regards the next step -- that of "developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity" -- please make a careful and immediate study of the President's memorandum and the JCS memorandum and advise the Secretary of State as to what measures he should take.

UNCLASSIFIED

UNCLASSIFIED

INT 594/20

-4-

I am directing Mr. Lyon to serve temporarily as your deputy in effecting the matters which I have outlined. He will also help you get established in the Department and deal with the appropriate offices under the Assistant Secretary for Administration in securing space, funds, et cetera.

Dean Acheson

UNCLASSIFIED